

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 99-586

February 28, 2000

NORTHERN UTILITIES, INC.,
Proposed Cost of Gas
Factor for the 1999/2000
Winter Period – Mid-Course Correction

ORDER

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

We direct Northern Utilities, Inc.'s (Northern) to apply the approved mid-course Cost of Gas Factor (CGF) corrected rate of \$0.567 per Ccf to bills that include usage on or after February 7, 2000 beginning with bills issued on or after March 1, 2000.

II. PROCEDURAL HISTORY

On January 25, 2000, Northern Utilities, Inc. (Northern) filed with this Commission an application pursuant to 35-A M.R.S.A. § 4703 and Chapter 430(2)(D) of the Commission's Rules (65-407 C.M.R. 430) for a mid-course correction of its CGF to be effective February 1, 2000 through April 30, 2000. The Commission must approve all cost of gas rate adjustments.

By Order dated February 7, 2000, we approved the proposed mid-course correction for gas consumed on or after that date. The revised 1999/2000 winter CGA will result in an increase of 3.04% at the 5 therm consumption level and 7.49% at the 200 therm consumption level for the residential class relative to the rate currently in effect.

The following day by telephone communication with Staff, Northern indicated it wished to delay implementation of the increased rate because, due to sharply higher sales during colder weather in January, it was not certain that the rate increase continued to be necessary. Staff advised Northern to put its request in writing for Commission consideration.

By letter dated February 17, 2000, Northern reconfirmed that, in fact, the rate increase would be necessary to avoid an anticipated winter period under-collection. In addition, Northern requests that it be allowed to implement the new rates beginning with bills rendered on and after the fifth billing cycle in March.

III. DISCUSSION

Our February 7th Order established that this increase should be implemented for all usage on and after that date for the remainder of this winter period. However, Northern now seeks a modification of that provision of the Order and an exemption to allow it to apply the rate to bills issued on or after a certain date rather than to usage on or after a date certain, to avoid the need to prorate its bills due to its accounting limitations.

Because the increased rates were based on implementation on February 1, 2000, Northern's request to delay implementation of the increased rates in this way is expected to result in an under-collection for this winter period. Normally, such under-collections would be included in next winter's CGF rate along with carrying costs.

As a practical matter, Northern has unilaterally delayed implementation of the rates we approved for effect on February 7, 2000. They now seek approval of a later implementation and a modified implementation method. Thus, the question before us is on what date should Northern be required to implement the increased rates that we have already approved? Further, we must determine whether Northern's request to not issue prorated bills is reasonable.

Northern had previously projected an under-collection of approximately \$1,187,224, representing approximately 6.7% of its total gas costs for this winter period and proposed to recover this under-collection over the remaining months of the winter period to send the appropriate rate signals to its customers. We concluded that this mid-course correction was warranted and concurred with Northern's then-proposed implementation schedule.

Northern's action to delay implementation was initially based on its good faith belief that some amount of this increase might not be necessary given changes in its revenues. However, Northern now believes that the increase was, in fact, necessary. It proposes to put the increase in place on an "as billed" basis rather than the more common "prorated" basis.¹

Putting the rate in place on an as billed basis would have three effects. First, it would charge similar customers different rates for usage during the same period. Second, it would increase Northern's overall revenues, because it would, in effect, allow

¹ Under the "as billed" approach, all usage which is billed after a certain date, say March 1, would be billed at the new higher rate, regardless of when the consumption actually occurred. As a result, a customer who happened to be on the March 1 billing cycle would pay for the higher rate for February usage while an otherwise similar customer who happened to be billed on February 28 would pay the old lower rate for most of February usage. Under a prorated approach, the utility would estimate the daily use of each customer and bill at the higher rate for usage after the date of the rate change, e.g. February 7.

Northern to charge the new higher rate for usage that has already occurred. Finally, it would avoid proration which Northern represents is problematic because the new billing system is not yet fully operational.²

Our policy for all utilities, including Northern, has been to implement rate increases according to the date upon which usage occurs rather than by billing date. This policy is fundamentally fair because it ensures that ratepayers are charged uniformly according to the date of usage. Charging according to billing cycles results in rates that are not applied uniformly. For instance, under Northern's proposal, customers whose meters are read on the fourth billing cycle would be charged the lower rate for their past month's usage, while customers whose meters are read the next day would be charged at the higher rate for nearly the same time period.

We could approve variations in this billing policy if warranted. However, this circumstance does not present that case. This problem initially arose because Northern was uncertain of the accuracy of its gas cost and revenue projections and wanted additional time to confirm them. Thereafter, Northern sought to avoid issuing prorated bills. These are not adequate reasons to depart from our general preference for implementing new rates for use after a date certain.

Moreover, approving the Company's implementation date would result in an under-collection of gas revenues for another week, after a 3-week delay already. Delay simply adds to the likelihood of under-collection for this period. Under-collection brings another cost to ratepayers who must pay interest to the Company in the next winter CGF.

The Company suggests it will be able to calculate prorated revenues for those relatively few customers that would receive bills prior to the fifth billing cycle in March. At this time, prorated billings will be issued for a week or less so the number of prorated bills will not be great.

We are requiring Northern to issue prorated bills rather than wait for the fifth billing cycle because it is important to capture the available revenue from the few high usage weeks remaining in this winter period. Winter period usage is generally highest in mid-winter (January and February) and drops off fairly quickly thereafter. Applying the increased rates as early as possible will help ensure that the Company will recover greater revenues during this winter period.

Greater recovery in this winter period will mitigate the need and added expense of carrying amounts over to the next winter period at increased cost to ratepayers. We

² The billing program is able to issue prorated bills, however, it is not currently able to issue certain reports, such as those showing the amounts of usage billed under the old and new rates. We understand that this problem will be resolved in May and that no information will be lost from the system if prorated rates are put in place now but the reports are generated in May when this feature of the reporting system is restored.

do not think the earlier application of these rates through a short period of prorated bills will unduly burden the Company, and we expect that it will save ratepayers some future expense. Saving ratepayers from additional expense is particularly appropriate in a circumstance in which the cause of the under-collection derives from problems related to the internal management of the Company and not external events.

IV. CONCLUSION

We deny Northern's request to implement this 1999-2000 Winter Period CGF mid-course correction to the fifth billing cycle in March based on the Advisory Staff's recommendation and direct Northern to apply the new rates to bills that include gas usage on or after February 7, 2000 as soon as practicable on or after March 1, 2000.

We will not require Northern to issue corrected bills for the period when prorated bills should have been issued between February 7, 2000 and March 1, 2000, but will hold open the issue whether ratepayers should pay for any under-collection or related carrying costs attributable to the delayed implementation of the mid-course correction for consideration in the next winter CGF proceeding.

Dated at Augusta, Maine, this 28th day of February, 2000.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR:

Welch
Nugent
Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.